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STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1993 AND 1994

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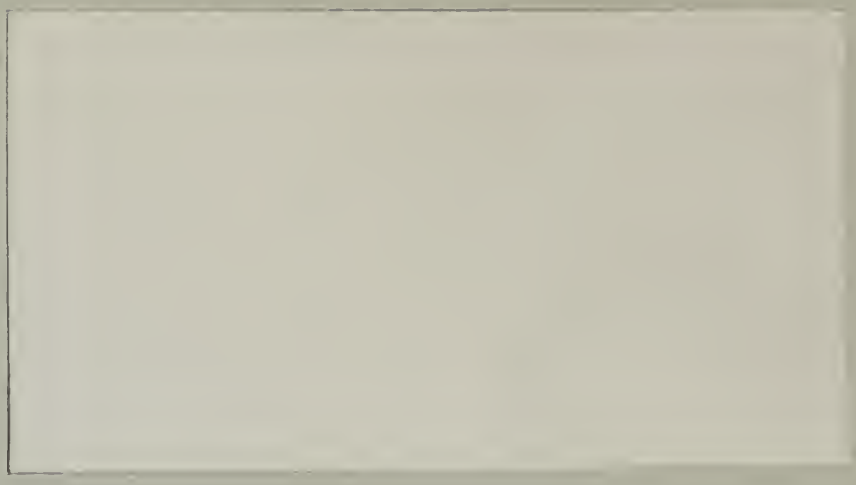

STATE OF MONTANA

MILES COMMUNITY COLLEGE
REPORT ON AUDIT

FISCAL YEARS ENDED JUNE 30, 1993 AND 1994

CONDUCTED UNDER CONTRACT BY
C H M S, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GLASGOW, MONTANA

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STATE OF MONTANA

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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

November 1994

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Miles Community College for the two fiscal years ended June 30, 1994.

The audit was conducted by Richard Wiens, CHMS, P.C. under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

94C-01

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

Montana Board of Regents of Higher Education

Marc Racicot	Governor
John Hutchinson	Commissioner of Higher Education
Nancy Keenan	Superintendent of Public Instruction
James Kaze	Chairman
Paul Boylan	Vice Chairman
Kermit R. Schwanke	
Pat Davison	
Cordell Johnson	
Shane Coleman	
Colleen Conroy	

Miles Community College Board of Trustees

1993	1994
Marshall Gardner	Marshall Gardner
Milt Benge	Bill Bickle
Eileen Carlson	James Lucas
Ken Bowar	Ken Bowar
Sharon Wilcox	Sharon Wilcox
Mark Griffith	Mark Griffith

Administration

Judson H. Flower	President
Dr. Frank Williams	Dean of Instructional Services
W. Wayne Muri	Business Manager
Dale E. Oberlander	Dean of Student Services
Fred McKee	Director of Planning and Development

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL

We performed a financial/compliance audit of Miles Community College for the fiscal years ended June 30, 1993 and 1994. The objectives of our audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operation for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendation for the improvement of management and internal controls: and (4) determine whether prior audit recommendations have been effectively implemented.

Thank you to the Miles Community College staff for their cooperation and assistance during the audit.

BACKGROUND

Miles Community College at Miles City, Montana was founded in 1939 under authority of legislation enacted by the Montana Legislature Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building. The new building is located on the present campus sight.

A resolution passed by the joint College-High School Board in January, 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the College. During academic year 1971-72 the college purchased a Vo-Tech building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the program, thereby insuring the easy transfer of credits to other colleges.

A grant of 1.5 million dollars from the Montana Coal Board in 1977 enabled the College to construct a new vocation building and library-classroom addition.

Construction of a physical recreation complex was completed in November 1980. This facility includes a large gymnasium, four racquetball/handball courts, and an exercise deck with weight machines.

The college has access to a 46 unit co-ed dormitory which was ready for occupancy in the Fall of 1981.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

RECOMMENDATIONS

INVENTORY OF PROPERTY, PLANT AND EQUIPMENT
The college does not conduct an annual inventory of property, plant and equipment, and does not reconcile the subsidiary ledger to the Investment in Plant Fund.

Recommendation
We recommend that the college:
1) Conduct an annual inventory of property, plant and equipment.
2) Reconcile the subsidiary ledger to the Investment in Plant Fund.

Response
We have inventory software in place and are currently updating our equipment records into the system. We have implemented an annual inventory routine at the end of each school year.

NSL PROGRAM DELINQUENCY
The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by HHS guidelines.

Recommendation
We recommend that the college continue its collection efforts.

Response
We are continuing our collection efforts. Our rate of 6.9% (6/30/94) is an improvement over the 9/30/92 rate of 8.2% and we anticipate being in compliance within the next 2 fiscal years.

ADJUSTMENTS TO THE GENERAL LEDGER
Adjusting entries dated September 30, 1993, made in the computerized general ledger after September 1993 was closed, were not printed in any of the college's computerized reports. As a result, the balances as of September 30th are not the beginning balances on October 1st.

Recommendation
We recommend that the college determines why the adjusting entries made after a month has been closed are not included in that month, and ensure that the adjusting entries are included in the month-end totals.

Response
This problem only occurs at year-end and only then if the last month of the year has been closed prior to adjustments and year-end closing. We have asked our software supplier to review the program and rectify the problem.

FTE COUNTS

A major funding criterion for the College is the number of full-time equivalent (FTE) students registered. FTE's are computed in accordance with guidelines published by the Commissioner of Higher Education. We reviewed the FTE counts reported by the College for fiscal years 1993 and 1994 for compliance with the published guidelines and accuracy. We found no exceptions at Miles Community College.

PRIOR AUDIT RECOMMENDATIONS

The audit for fiscal years ended June 30, 1991 and 1992 of Miles Community College contains two recommendations. The same two recommendations are repeated as part of the current year recommendations.

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Glasgow, Montana 59230
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FAX 406-228-2063
800-755-2467

INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee
of the Montana State Legislature

We have audited the general purpose financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1993 and 1994 as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Miles Community College, Miles City, Montana, as of June 30, 1993 and 1994, and the results of its operations and changes in its fund balance for the years then ended in accordance with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information on pages 21-24 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Miles Community College, Miles City, Montana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

CHMS, P.C.

Certified Public Accountants

October 20, 1994

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1993

	CURRENT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS
ASSETS			
Cash on Hand and in Bank (Note A)	$ 2,722	$ ---	$ 2,110
Cash on Deposit with County Treasurer (Note A)	233,625	12,666	24,839
Total Cash	236,347	12,666	26,949
Receivables:			
Taxes Receivable (Note B)	92,492	---	---
Grant Receivable	---	10,867	---
Student Loan Receivable	---	---	---
Accounts Receivable	21,896	2,260	313
Total Receivables	114,388	13,127	313
Prepaid Expenses	11,067	---	---
Inventories	---	---	53,425
Property, Plant and Equipment (Note A)			
Land	---	---	---
Buildings and Improvements	---	---	---
Equipment	---	---	---
Total Property, Plant, and Equipment	---	---	---
Total Assets	$ 361,802	$ 25,793	$ 80,687
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable and Accrued Liabilities	$ 63,198	$ 18,248	$ 5,200
Compensated Absences (Note D)	136,780	---	---
Other Liabilities and Deposits	10,080	---	---
Unearned Revenues	42,894	---	---
Mortgage Payable (Note C)	---	---	---
Total Liabilities	252,952	18,248	5,200
Fund Balance			
Unreserved	108,850	7,545	75,487
Total Liabilities and Fund Balance	$ 361,802	$ 25,793	$ 80,687

STUDENT LOAN FUNDS	AGENCY FUNDS	PLANT FUNDS: RENEWAL AND REPLACEMENT	PLANT FUNDS: RETIREMENT OF INDEBTEDNESS	PLANT FUNDS: INVESTMENT IN PLANT
$ 4,522	$ ---	$ ---	$ ---	$ ---
3,231	12,971	3,685	4,283	---
7,753	12,971	3,685	4,283	---
---	---	---	---	---
---	---	---	---	---
78,070	---	---	---	---
---	---	---	---	---
78,070	---	---	---	---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	204,298
---	---	---	---	3,859,619
---	---	---	---	2,205,361
---	---	---	---	6,269,278
$ 85,823	$ 12,971	$ 3,685	$ 4,283	$ 6,269,278
$ ---	$ ---	$ ---	$ ---	$ ---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	547,514
---	---	---	---	547,514
85,823	12,971	3,685	4,283	5,721,764
$ 85,823	$ 12,971	$ 3,685	$ 4,283	$ 6,269,278

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1993

	CURRENT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS
Revenues and Other Additions:			
Unrestricted Fund Revenues	$ 2,355,957	$ ---	$ 309,101
Federal Grants - Restricted	---	1,363,768	---
State Grants - Restricted	---	16,858	---
Private Gifts and Grants - Restricted	---	62,215	---
Private Gifts and Grants	---	---	---
Restricted Student Fees	---	6,511	---
Other Income	---	8,022	---
Expended for Plant Facilities	---	---	---
Retirement of Indebtedness	---	---	---
Total Revenues and Other Additions	2,355,957	1,457,374	309,101
Expenditures and Other Deductions:			
Education and General Expenditures	2,382,113	1,457,830	---
Auxiliary Enterprise Expenditures	---	---	334,551
Administrative Expenditures	---	---	---
Retirement of Indebtedness	---	---	---
Interest on Indebtedness	---	---	---
Total Expenditures and Other Deductions	2,382,113	1,457,830	334,551
Transfers Among Funds -			
Additions (Deductions):			
Voluntary Transfers	(47,865)	8,709	41,988
Total Transfers	(47,865)	8,709	41,988
Net Increase (Decrease) in Fund Balance	(74,021)	8,253	16,538
Fund Balance, Beginning of Year	182,871	(708)	58,949
Fund Balance, End of Year	$ 108,850	$ 7,545	$ 75,487
FUND BALANCE CONSISTS OF:			
Unrestricted	$ 108,850	$ ---	$ 75,487
College Contribution	---	---	---
Federal Contribution	---	---	---
Non-Capital Deficit	---	---	---
Restricted	---	7,545	---
Net Investment in Plant	---	---	---
Total Fund Balance	$ 108,850	$ 7,545	$ 75,487

STUDENT LOAN FUNDS	PLANT FUNDS: RENEWAL AND REPLACEMENT	PLANT FUNDS: RETIREMENT OF INDEBTEDNESS	PLANT FUNDS: INVESTMENT IN PLANT
$ ---	$ 13,965	$ ---	$ ---
---	---	---	---
---	---	---	---
---	---	---	---
2,767	---	---	---
---	---	51,013	---
2,489	---	---	---
---	---	---	151,837
---	---	---	17,379
5,256	13,965	51,013	169,216
---	89,034	---	---
---	---	---	---
10,950	---	---	---
---	---	17,380	---
---	---	4,179	---
10,950	89,034	21,559	---
---	---	---	---
---	---	---	---
(5,694)	(75,069)	29,454	169,216
91,517	78,754	(25,171)	5,552,548
$ 85,823	$ 3,685	$ 4,283	$ 5,721,764
$ 10,157	$ ---	$ ---	$ ---
16,114	---	---	---
94,619	---	---	---
(35,067)	---	---	---
---	3,685	4,283	---
---	---	---	5,721,764
$ 85,823	$ 3,685	$ 4,283	$ 5,721,764

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,
AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1993

	Unrestricted	Restricted	Total
Revenues			
Tuition and Fees	$ 520,552	$ 6,511	$ 527,063
State Appropriations	1,040,136	---	1,040,136
Local Appropriations	667,251	---	667,251
Federal Grants and Contracts	---	1,363,768	1,363,768
State Grants and Contracts	---	16,858	16,858
Private Gifts, Grants, and Contracts	---	62,215	62,215
Sales and Services of Auxiliary Enterprises	309,101	---	309,101
Other Sources	128,018	8,022	136,040
Total Current Revenues	2,665,058	1,457,374	4,122,432
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	1,052,671	120,208	1,172,879
Public Service	37,101	2,347	39,448
Academic Support	359,588	560,171	919,759
Student Services	396,559	738,639	1,135,198
Institutional Support	308,688	---	308,688
Operation and Maintenance of Plant	227,506	---	227,506
Scholarships and Fellowships	---	36,465	36,465
Educational and General Expenditures	2,382,113	1,457,830	3,839,943
Auxiliary Enterprises:			
Expenditures	334,551	---	334,551
Total Expenditures	2,716,664	1,457,830	4,174,494
Other Transfers and (Deductions)	(5,877)	8,709	2,832
Net Increase (Decrease) in Fund Balances	$ (57,483)	$ 8,253	$ (49,230)

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 1994

	CURRENT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS
ASSETS			
Cash on Hand and in Bank (Note A)	$ 2,500	$ ---	$ 2,410
Cash on Deposit with County Treasurer (Note A)	244,062	(28,458)	46,832
Total Cash	246,562	(28,458)	49,242
Receivables:			
Taxes Receivable (Note B)	100,713	---	---
Grant Receivable	---	68,373	---
Student Loan Receivable	---	---	---
Accounts Receivable	25,308	---	1,057
Total Receivables	126,021	68,373	1,057
Prepaid Expenses	11,067	---	---
Inventories	---	---	29,545
Property, Plant and Equipment (Note A)			
Land	---	---	---
Buildings and Improvements	---	---	---
Equipment	---	---	---
Total Property, Plant, and Equipment	---	---	---
Total Assets	$ 383,650	$ 39,915	$ 79,844
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable and Accrued Liabilities	$ 124,037	$ 13,841	$ 5,800
Compensated Absences (Note D)	151,466	---	---
Unearned Revenues	34,093	---	---
Mortgage Payable (Note C)	---	---	---
Total Liabilities	309,596	13,841	5,800
Fund Balance			
Unreserved	74,054	26,074	74,044
Total Fund Balance			
Total Liabilities and Fund Balance	$ 383,650	$ 39,915	$ 79,844

STUDENT LOAN FUNDS	AGENCY FUNDS	PLANT FUNDS: RENEWAL AND REPLACEMENT	PLANT FUNDS: RETIREMENT OF INDEBTEDNESS	PLANT FUNDS: INVESTMENT IN PLANT
$ 5,588	$ ---	$ ---	$ ---	$ ---
2,252	12,091	3,687	15,936	---
7,840	12,091	3,687	15,936	---
---	---	---	---	---
---	---	---	---	---
80,380	---	---	---	---
---	1,493	---	---	---
80,380	1,493	---	---	---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	204,298
---	---	---	---	3,859,619
---	---	---	---	2,426,138
---	---	---	---	6,490,055
$ 88,220	$ 13,584	$ 3,687	$ 15,936	$ 6,490,055
$ ---	$ ---	$ ---	$ ---	$ ---
---	---	---	---	---
---	---	---	---	---
---	---	---	---	509,835
---	---	---	---	509,835
88,220	13,584	3,687	15,936	5,980,220
$ 88,220	$ 13,584	$ 3,687	$ 15,936	$ 6,490,055

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1994

	CURRENT FUNDS		
	UNRESTRICTED GENERAL OPERATING	RESTRICTED	AUXILIARY FUNDS
Revenues and Other Additions:			
Unrestricted Fund Revenues	$ 2,754,236	$ 7,700	$ 310,746
Federal Grants - Restricted	---	1,353,784	---
State Grants - Restricted	---	23,309	---
Private Gifts and Grants - Restricted	---	33,071	---
Private Gifts and Grants	---	---	---
Restricted Student Fees	---	---	---
Private Capital Contributions	---	---	---
Other Income	---	37,527	---
Expended for Plant Facilities	---	---	---
Retirement of Indebtedness	---	---	---
Total Revenues and Other Additions	2,754,236	1,455,391	310,746
Expenditures and Other Deductions:			
Education and General Expenditures	2,754,841	1,447,266	---
Auxiliary Enterprise Expenditures	---	---	347,061
Administrative Expenditures	---	---	---
Retirement of Plant Assets	---	---	---
Retirement of Indebtedness	---	---	---
Interest on Indebtedness	---	---	---
Total Expenditures and Other Deductions	2,754,841	1,447,266	347,061
Transfers Among Funds -			
Additions (Deductions):			
Voluntary Transfers	(34,191)	10,404	34,872
Total Transfers	(34,191)	10,404	34,872
Net Increase (Decrease) in Fund Balance	(34,796)	18,529	(1,443)
Fund Balance, Beginning of Year	108,850	7,545	75,487
Fund Balance, End of Year	$ 74,054	$ 26,074	$ 74,044
FUND BALANCE CONSISTS OF:			
Unrestricted	74,054	---	74,044
College Contribution	---	---	---
Federal Contribution	---	---	---
Non-Capital Deficit	---	---	---
Restricted	---	26,074	---
Net Investment in Plant	---	---	---
Total Fund Balance	$ 74,054	$ 26,074	$ 74,044

STUDENT LOAN FUNDS	PLANT FUNDS: RENEWAL AND REPLACEMENT	PLANT FUNDS: RETIREMENT OF INDEBTEDNESS	PLANT FUNDS: INVESTMENT IN PLANT
$ ---	$ ---	$ ---	$ ---
---	---	---	---
---	---	---	---
---	---	---	---
18	---	---	---
---	---	53,354	---
---	---	---	---
2,451	---	---	---
---	---	---	220,777
---	---	---	37,679
2,469	---	53,354	258,456
72	2,998	---	---
---	---	---	---
---	---	---	---
---	---	---	---
---	---	37,679	---
---	---	4,022	---
72	2,998	41,701	---
---	3,000	---	---
---	3,000	---	---
2,397	2	11,653	258,456
85,823	3,685	4,283	5,721,764
$ 88,220	$ 3,687	$ 15,936	$ 5,980,220
11,082	3,687	15,936	5,980,220
16,114	---	---	---
94,620	---	---	---
(33,596)	---	---	---
---	---	---	---
---	---	---	---
$ 88,220	$ 3,687	$ 15,936	$ 5,980,220

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES,
AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1994

	Unrestricted	Restricted	Total
Revenues			
Tuition and Fees	$ 782,994	$ 7,700	$ 790,694
State Appropriations	1,052,027	---	1,052,027
Local Appropriations	667,762	---	667,762
Federal Grants and Contracts	---	1,353,784	1,353,784
State Grants and Contracts	---	23,309	23,309
Private Gifts, Grants, and Contracts	5,000	33,071	38,071
Sales and Services of Auxiliary Enterprises	310,746	---	310,746
Other Sources	246,453	37,527	283,980
Total Current Revenues	3,064,982	1,455,391	4,520,373
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	1,117,771	129,871	1,247,642
Public Service	67,035	1,426	68,461
Academic Support	312,161	553,629	865,790
Student Services	438,906	762,340	1,201,246
Institutional Support	366,878	---	366,878
Scholarships and Fellowships	242,625	---	242,625
Operation and Maintenance of Plant	209,465	---	209,465
Educational and General Expenditures	2,754,841	1,447,266	4,202,107
Auxiliary Enterprises:			
Expenditures	347,061	---	347,061
Total Expenditures and Mandatory Transfers	3,101,902	1,447,266	4,549,168
Other Transfers and Additions	681	10,404	11,085
Net Increase (Decrease) in Fund Balances	$ (36,239)	$ 18,529	$ (17,710)

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENTS OF CASH FLOW OF AUXILIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 1993 AND 1994

	1993	1994
Cash Flow From Operating Activities:		
Net Loss	$ (25,450)	$ (36,315)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	997	(744)
Decrease in Inventories	14,203	23,880
Increase (Decrease) in Accounts Payable	(668)	600
Net Cash Provided (Used) by Operations	(10,918)	(12,579)
Cash Transferred From Other Funds	41,988	34,872
Net Increase in Cash	31,070	22,293
Cash, Beginning of Year	(4,121)	26,949
Cash, End of Year	$ 26,949	$ 49,242

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for colleges and universities. The statements of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operation or the net income or loss for the period as would a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfer of a nonmandatory nature for all other cases.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transaction have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivable, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriation, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Student Loan Funds - The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

Plant Funds - These funds are separated into three self-balancing subgroups.

Renewal and Replacement - utilized for maintenance of institutional assets

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness

Investment in Plant - denotes the cost on long-term institutional assets and related liabilities and equity.

Inventories - Inventories, consisting mainly of bookstore supplies, are valued at cost (first-in, first-out method).

Investments - Substantially all cash of the College is administered through the Custer County Treasurer's office. The college entered into an agreement with Custer County to have cash on deposit invested under the County's repurchase agreement. Under the repurchase agreement, the cash and investment pool may include cash and cash items; demand, time, savings and fiscal agent deposits; investments in the State Short-Term Investment Pool; direct obligations of the United States Government and securities issued by agencies of the United States; and repurchase agreements, and registered warrants.

The College's agreement with the County requires the County to make distributions of interest income to Miles Community College monthly, based on the end of the month cash balance of the college. The College is required to pay an administrative fee to the County in the amount of three percent of the interest income received.

Plant and Equipment - Physical plant and equipment are stated at cost at date of acquisition. Depreciation of physical plant and equipment is not recorded.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Tuition and Fees - Summer school tuition and fees revenues and related expenses are deferred at June 30, and recorded as revenues and expenses in the succeeding fiscal years.

NOTE B - LOCAL APPROPRIATIONS

The local appropriations consists of the mandatory County levy and the Adulst Education levy. The breadown of local appropriations for 1993 is as follows:

	Number of Mills	Value of One Mill	Value
Mandatory County Levy	44.75	$ 14,580	$ 652,455
Adult Education Levy	1.00	14,580	14,580
Total	45.75		$ 667,035

The breakdown of locall appropriations for 1994 is as follows:

	Number of Mills	Value of One Mill	Value
Mandatory County Levy	42.43	$ 15,343	$ 651,003
Adult Education Levy	1.00	15,343	15,343
Total	43.43		$ 666,346

NOTE C - MORTGAGES PAYABLE

Mortgages payable consists of a note payable to Miles Community College Endowment and a note payable to the Department of Housing and Urban Development. Changes in notes payable during 1993 were as follows:

	Balance 6-30-92	Increase (Decrease)	Balance 6-30-93
Miles Community College Endowment	$ 424,293	$ (12,179)	$ 412,114
Department of Housing and Urban Development	140,600	(5,200)	135,400
	$ 564,893	$ (17,379)	$ 547,514

Changes in notes payable during 1994 were as follows:

	Balance 6-30-93	Increase (Decrease)	Balance 6-30-94
Miles Community College Endowment	$ 412,114	$ (32,279)	$ 379,835
Department of Housing and Urban Development	135,400	(5,400)	130,000
	$ 547,514	$ (37,679)	$ 509,835

NOTE C - MORTGAGES PAYABLE (Continued)

The note payable to the Department of Housing and Urban Development was in the original amount of $205,541 and will be paid off on July 1, 2012. This note is payable in semi-annual installments on January 1st and July 1st of each year. Interest is payable at 3% per annum. There is no security for this loan.

The note payable to Miles Community College Endowment was in the original amount of $458,299. There is no interest payable on this note. This note is being repaid from 1/3 of the student building fees collected, until such time as the deficit in the Building Repayment Fund has been eliminated. Once the deficit has been eliminated, the entire amount of the student building fees will be paid to Miles Community College Endowment. The student building fees were assessed at $2.00 per credit hour up to a maximum of 12 credit hours in fiscal year 1993, and $2.50 per credit hour to a maximum of 14 credit hours in fiscal year 1994.

The deficit in the Centra building debt retirement as of June 30, 1993 was $5,825. This deficit was eliminated in the 1994 fiscal year. Payments on the note beginning in 1995 are estimated by College management at $30,000 per year through the year 2008.

The payment on the Miles Community College Endowment note for the year ending June 30, 1995 has been waived to allow the student building fees to be applied to operational costs of the college. The Board of Trustees of Miles Community College and the Directors of Miles Community College Endowment have approved the waiver. Payments will resume per the original agreement in the 1996 fiscal year.

Notes payable maturities are as follows:

1995	$ 5,600
1996	35,800
1997	35,800
1998	36,000
1999	36,200
2000-2012	360,437
Total	$ 509,837

NOTE D - COMPENSATED ABSENCES PAYABLE

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows on June 30, 1993:

	Balance 6-30-92	Increase	Balance 6-30-93
Vacation and Sick Leave	$ 121,002	$ 15,778	$ 136,780

Compensated absences payable were as follows on June 30, 1994:

	Balance 6-30-93	Increase	Balance 6-30-94
Vacation and Sick Leave	$ 136,780	$ 14,686	$ 151,466

NOTE E - RETIREMENT PLANS

The School participates in two, multiple-employer, cost-sharing retirement plans which cover all employees, except part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, including the president and deans of the college and the Public Employee Retirement System (PERS) covers non-teaching employees. Substitute teachers may elect to become an active member of TRS on the first day of employment in each fiscal year. If a substitute teacher does not elect to become a member, membership becomes mandatory on the 31st day of employment, at which time retroactive contributions will not be required. The plans are established by State law and are administered by the Department of Administration of the State of Montana.

Contribution rates, expressed as a percentage of covered payroll, which are required and determined by State law, were as follows as of June 30, 1993:

	Employer	Employee	Total
TRS	7.459%	7.044%	14.503%
PERS	6.55%	6.55%	13.10%

Covered salaries and wages and amounts contributed to TRS and PERS during the year ended June 30, 1993 were as follows:

	Salaries and Wages	Contributions		
		Employer	Employee	Total
TRS	$1,192,929	$ 88,981	$ 88,753	$ 177,734
PERS	464,969	30,455	30,455	60,910
Not-Covered	133,079	---	---	---
Total	$1,790,977	$ 119,436	$ 119,208	$ 238,644

NOTE E - RETIREMENT PLANS (Continued)

Contribution rates, expressed as a percentage of covered payroll, which are required and determined by State law, were as follows as of June 30, 1994:

	Employer	Employee	Total
TRS	7.47%	7.044%	14.514%
PERS	6.70%	6.70%	13.40%

Covered salaries and wages and amounts contributed to TRS and PERS during the year ended June 30, 1994 were as follows:

	Salaries and Wages	Contributions		
		Employer	Employee	Total
TRS	$1,192,356	$ 88,997	$ 83,990	$ 172,987
PERS	473,178	31,702	31,702	63,404
Not-Covered	166,573	---	---	---
Total	$1,832,107	$ 120,699	$ 115,692	$ 236,391

Total State-wide covered salaries for TRS for the year ended June 30, 1994 were $440,462,948. Total State-wide covered salaries for PERS for the year ended June 30, 1993 were $561,375,714.

Benefits are established by State law. Employee benefits vest after 5 years for both plans. A summary of retirement and eligibility benefits follows. Other information concerning TRS and PERS can be obtained from the Montana Department of Administration located in Helena, Montana.

	TRS	PERS
Normal Retirement	Age 60 or 25 service years	Age 65, Age 60 with 5 service years, or 30 service years
Benefits, based on final average salary	1/60 times service years	1/56 times service years
Early Retirement with reduced benefits	Vested and age 50	Vested and age 50 or 25 service years

Contribution rates changed during the year ended June 30, 1994 for the Teachers' Retirement System and the Public Employees' Retirement System. The employers' rate for TRS changed from 7.459% to 7.47% on January 1, 1994. The employees' and employers' rates for PERS changed from 6.55% to 6.7% on July 1, 1993. The actuarial valuation for PERS is conducted as of July 1 of each even numbered year. The latest actuarial valuation was conducted as of July 1, 1992.

NOTE E - RETIREMENT PLANS (Continued)

The last actuarial valuation for TRS was performed on July 1, 1994. Actuarial assumptions were changed at that time.

The Pension Benefit Obligation, which is the actuarial present value of credited projected benefits for the plans, was as follows:

	TRS	PERS
Date of Actuarial Valuation or Update	July 1, 1994	July 1, 1993
Pension Benefit Obligation	$1,586,100,697	$1,405,884,112
Net Assets Available for Benefits: At Cost . . .	$ 999,593,170	$1,107,748,782
At Market Value	$1,136,361,547	$1,261,843,004

The Pension Benefit Obligation is a standardized measure of the present value of projected pension benefits for employee service to date. It is intended to help assess a pension plan's funding status and its progress in accumulating assets needed to pay benefits, as well as compare the plan to other pension plans. Historical trend information showing the progress in accumulating assets needed to pay benefits is presented in the TRS and PERS comprehensive annual financial reports which are available from the Montana Department of Administration.

NOTE F - CONTINGENT LIABILITY

Miles Community College has entered into a lease agreement with Mid-Rivers Telephone Cooperative, Inc. for the use of fiber optic cable, providing interactive video between Miles City and Glendive. Termination of the agreement by the college before the end of the nine year lease period will give rise to termination charges. The termination charge will equal $438,732, reduced by 1/108 for each month service is retained, with proportionate reductions for fractional portions of a month.

NOTE G - RELATED PARTY TRANSACTIONS

The Board of Trustees of Miles Community College signed a note payable to Miles Community College Endowment Corporation, of 1/3 of the P.E. Building Fee collected until the current deficit in the plant fund for the CENTRA Building debt retirement is eliminated.

The student building fees were assessed at $2.00 per credit hour up to a maximum of 12 credit hours in fiscal year 1993, and $2.50 per credit hour to a maximum of 14 credit hours in fiscal year 1994. The deficit in the Centra building debt retirement as of June 30, 1993 was $5,825. This deficit was eliminated in the 1994 fiscal year. Payments on the note beginning in 1995 are estimated at $30,000 per year through the year 2008.

NOTE G - RELATED PARTY TRANSACTIONS (Continued)

The payment on the Miles Community College Endowment note for the year ending June 30, 1995 has been waived to allow the student building fees to be applied to operational costs of the college. The Board of Trustees of Miles Community College and the directors of Miles Community College Endowment have approved the waiver. Payments will resume per the original agreement in the 1996 fiscal year.

The Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

A building owned by the college is subject to a lien. The party that donated the building is making the payment that will end in 2005.

SUPPLEMENTARY INFORMATION

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
STUDENT FINANCIAL AID MODIFIED STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 1993

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ ---	$ 6,607	$ 1,154	$ ---
Additions:				
Federal Advances	705,211	---	11,292	27,353
Institution Matching Funds	---	---		542
State Matching Funds	---	---	4,260	4,503
Interest Collected	---	1,725	---	---
Interest Investments	---	163	---	---
Principal Collected	---	10,714	---	---
Transfers Between Programs	---	---	---	1,238
Total Additions	705,211	12,602	15,552	33,636
Deductions:				
Distribution to Students	703,769	6,000	14,231	33,636
Administrative Expenses	---	9,917	---	---
Transfers Between Programs	---	---	1,238	---
Total Deductions	703,769	15,917	15,469	33,636
Net Change in Cash	1,442	(3,315)	83	---
Ending Cash Balance	$ (1,442)	$ 3,292	$ 1,237	$ ---

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
STUDENT FINANCIAL AID MODIFIED STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 1994

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ ---	$ 3,292	$ 1,237	$ ---
Additions:				
Federal Advances	679,839	---	13,062	27,508
State Matching Funds	---	---	5,625	6,567
Interest Collected	---	1,398	---	---
Interest Investments	---	77	---	---
Principal Collected	---	6,999	---	---
Transfers Between Programs	---	---	---	513
Total Additions	679,839	8,474	18,687	34,588
Deductions:				
Distribution to Students	679,839	7,750	18,750	34,588
Transfers Between Programs	---	---	513	---
Total Deductions	679,839	7,750	19,263	34,588
Net Change in Cash	---	724	(576)	---
Ending Cash Balance	$ ---	$ 4,016	$ 661	$ ---

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEARS ENDED JUNE 30,

	1993	1994
Perkins Loan Program -		
Student Loan Advances	$ 6,000	$ 7,750
Collection Cost	2,692	---
Administrative Cost	7,225	---
	$ 15,917	$ 7,750
College Work-Study Program		
Wages	$ 14,231	$ 18,750
Transfer Between Programs	1,238	513
	$ 15,469	$ 19,263
Supplemental Education Opportunity Grant Program		
Student Grants	$ 33,636	$ 34,588
Pell Grant Program		
Student Grants	$ 703,769	$ 679,839

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ENROLLMENT STATISTICS
FOR THE YEARS ENDED JUNE 30, 1993 AND 1994

SEMESTER	FULL-TIME EQUIVALENT
Summer Semester 1992	68.3
Fall Semester 1992	606.9
Spring Semester 1993	592.1
Summer Semester 1993	43.9
Fall Semester 1993	566.7
Spring Semester 1994	556.6

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INDEPENDENT AUDITOR'S COMBINED REPORT ON THE INTERNAL CONTROL STRUCTURE

Legislative Audit Committee
of the Montana State Legislature

We have audited the general purpose financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1993 and 1994 and have issued our report thereon dated October 20, 1994. We have also audited Miles Community College's compliance with requirements applicable to its major federal programs and have issued our report thereon dated October 20, 1994.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether Miles Community College complied with laws and regulations, noncompliance with which would be material to a major federal programs.

In planning and performing our audit of the general purpose financial statements of Miles Community College, Miles City, Montana, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and on the compliance of Miles Community College with requirements applicable to its major programs, and to report on the internal control structure in accordance with OMB Circular A-133, and not to provide assurance on the internal control structure.

The management of Miles Community College, Miles City, Montana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- -assets are safeguarded against loss from unauthorized use or disposition,
- -transactions are executed in accordance with management's authorization,
- -transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and
- -federal programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Internal Control Structure
- Revenues/Cash Receipts
- Expenditures/Cash Disbursements
- Purchasing and Receiving
- Payrolls
- Fixed Assets
- General Ledger
- External Financial Reporting
- Compliance with Laws and Regulations

Federal Compliance Controls
- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-free Workplace
- Administrative Requirements
  - Program Income
  - Procurement
- Specific Program Requirements
  - Types of Services Allowed or Unallowed
  - Eligibility
  - Matching, Level of Effort, and/or Earmarking
  - Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation, and we assessed control risk.

During the years ended June 30, 1993 and 1994, Miles Community College had major federal financial assistance programs totaling 74% and 75%, respectively.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned federal programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Miles Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements or to administer its federal programs in accordance with applicable laws and regulations. These matters are noted on the following page.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited or that noncompliance with laws and regulations would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described on the following pages are material weaknesses.

This report is intended for the information of Miles Community College, the State of Montana Legislative Auditor's Office and other applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

MILES COMMUNITY COLLEGE
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 1993 AND JUNE 30, 1994

FINDING #1 - INVENTORY OF PROPERTY, PLANT AND EQUIPMENT
The college does not conduct an annual inventory of property, plant and equipment, and does not reconcile the subsidiary ledger to the Investment in Plant Fund.

Recommendation
We recommend that the college:
1) Conduct an annual inventory of property, plant and equipment.
2) Reconcile the subsidiary ledger to the Investment in Plant Fund.

Response
We have inventory software in place and are currently updating our equipment records into the system. We have implemented an annual inventory routine at the end of each school year.

FINDING #2 - NSL PROGRAM DELINQUENCY
The college is no longer making loans under the NSL program. However, the delinquency rate for the NSL program is still in excess of the 5% allowed by HHS guidelines.

Recommendation
We recommend that the college continue its collection efforts.

Response
We are continuing our collection efforts. Our rate of 6.9% (6/30/94) is an improvement over the 9/30/92 rate of 8.2% and we anticipate being in compliance within the next 2 fiscal years.

FINDING #3 - ADJUSTMENTS TO THE GENERAL LEDGER
Adjusting entries dated September 30, 1994, made in the computerized general ledger after September 1994 was closed, were not printed in any of the college's computerized reports. As a result, the balances as of September 30th are not the beginning balances on October 1st.

Recommendation
We recommend that the college determines why the adjusting entries made after a month has been closed are not included in that month, and ensure that the adjusting entries are included in the month-end totals.

Response
This problem only occurs at year-end and only then if the last month of the year has been closed prior to adjustments and year-end closing. We have asked our software supplier to review the program and rectify the problem.

PRIOR YEAR COMMENTS

Finding	Status
1. Inventory of Property Plant, and Equipment	Partially Implemented
2. NSL Program	Not Implemented - Finding #2

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Legislative Audit Committee
of the Montana State Legislature

We have audited the general purpose financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1993 and 1994, and have issued our report thereon dated October 20, 1994.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Miles Community College is the responsibility of the College's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Miles Community College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Miles Community College complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not test, nothing came to our attention that caused us to believe that Miles Community College had not complied, in all material respects, with those provisions.

This report is intended for the information of Miles Community College and the State of Montana Legislative Audit Committee, and other Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

We have audited the general purpose financial statements of Miles Community College, Miles City, Montana as of and for the years ended June 30, 1993 and 1994, and have issued our report thereon dated October 20, 1994.

We have applied procedures to test Miles Community College, Miles City, Montana's, compliance with the following requirements applicable to its federal programs, which are identified in the Schedule of Federal Awards, for the years ended June 30, 1993 and 1994:

Political Activity	Civil Rights
Cash Management	Financial Reports
Administrative Requirements	Drug-free Workplace

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the College had not complied, in all material respects, with those requirements.

This report is intended for the information of Miles Community College, the State of Montana Legislative Audit Committee and other applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS

Legislative Audit Committee
of the Montana State Legislature

We have audited the financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1993 and 1994, and have issued our report thereon dated October 20, 1994.

We have also audited Miles Community College, Miles City, Montana's compliance with the requirement governing eligibility, matching, earmarking, claims for advance and reimbursements, and amounts claimed or used for matching that are applicable to each of its major federal programs, which are identified in the accompanying Schedule of Federal Awards, for the years ended June 30, 1993 and 1994. The management of Miles Community College, Miles City, Montana, is responsible for the College's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about College's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the College complied, in all material respects, with the requirements governing eligibility, matching, earmarking, claims for advance and reimbursements, and amounts claimed or used for matching that are applicable to each of its major federal programs for the years ended June 30, 1993 and 1994.

This report is intended for the information of Miles Community College, the State of Montana Legislative Audit Committee, and other Federal and State agencies. However, this report is a matter of public record and this distribution is not limited.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL PROGRAMS

Legislative Audit Committee
of the State of Montana

We have audited the financial statements of Miles Community College, Miles City, Montana as of and for the years ended June 30, 1993 and 1994, and have issued our report thereon dated October 20, 1994.

In connection with our audit of the financial statements of the College and with our consideration of the College's internal control structure used to administer federal financial programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations," , we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the years ended June 30, 1993 and 1994.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort, and/or earmarking, reporting, and special requirements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the College's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the College had not complied, in all material respects, with those requirements.

This report is intended for the information of Miles Community College, the State of Montana Legislative Audit Committee and other applicable Federal and State agencies. However, this report is a matter of public record and its distribution is not limited.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION - SCHEDULE OF FEDERAL AWARDS

Legislative Audit Committee
of the State of Montana

We have audited the general purpose financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 1993 and 1994, and have issued our report thereon dated October 20, 1994. These general purpose financial statements are the responsibility of Miles Community College, Miles City, Montana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Miles Community College, Miles City, Montana, taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

CHMS, P.C.

C H M S, P.C.
Certified Public Accountants

October 20, 1994

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTAL SCHEDULE OF FEDERAL AWARDS
FOR YEARS ENDED JUNE 30,

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures 1994	Expenditures 1993
MAJOR PROGRAMS				
U.S. Department of Education				
Direct Programs:				
Supplemental Educational Opportunity Grant Program	84.007	N/A	$ 34,075	$ 31,856
Strengthening Institutions' Program	84.031	N/A	273,796	256,953
College Work Study	84.033	N/A	13,062	11,292
Pell Grant Program	84.063	N/A	681,281	705,211
Pass-Through Montana Guaranteed Student Loan Program				
State Student Incentive Grant Program	84.069	SSIGA93	9,377	10,106
Total Major Programs			1,011,591	1,015,418
NON-MAJOR PROGRAMS				
U.S. Department of Labor				
Pass-Through State Department of Labor And Industry				
State Displaced Homemaker	17.246	3107H	21,671	15,564
Montana Job Training Partnership, Inc.				
BOS IIA Displaced Homemaker	17.246	92063(d)	49,819	56,323
Title IIA Adult 6% Incentive	17.250	91063(I)	18,061	31,523
Department of Social and Rehabilitation Services Family Assistance Division				
Jobs	93.561	93-12-28006-0	25,051	24,529
Jobs	93.561	93-12-28019-0	13,896	11,747
Jobs/Up-Career Development Program	93.561	93-12-28034-0	11,418	10,664
Jobs/Up-Career Development Program	93.561	93-12-28046-0	3,902	5,570
Custer Food Stamp Job Search	93.561	94-012-28010	14,392	---
Montana Office of Public Instruction				
Job Training Partnership Act-8%	17.250	93-80-5803-DS10	18,766	20,209
Adult Basic Education	84.002	93-56-5803-020	34,778	36,521
Office of the Commissioner of Higher Education				
Self Esteem	84.048	93SP010	16,573	18,230
Career Development Program	84.048	93-CB001	20,399	20,901
The Montana University System				
Carl D. Perkins Vocational And Applied Technology Education Act	84.048	MCCLA:92-94	73,881	77,283
Corporation for National and Community Service				
Retired Senior Volunteer Program	72.002	3408618/12-01	19,586	19,286
Total Non-Major Programs			342,193	348,350
TOTAL FEDERAL AWARDS			$ 1,353,784	$ 1,363,768

"PATHWAY TO SUCCESS"

MILES COMMUNITY COLLEGE

2715 DICKINSON ST. MILES CITY, MT 59301 (406) 232-3031 FAX (406) 232-5705

November 30, 1994

CHMS, p.c.
Drawer 751
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Glasgow MT 59230

RE: Responses to FY93 and FY94 audit recommendations

INVENTORY OF PROPERTY, PLANT AND EQUIPMENT

RESPONSE: We have our inventory software in place and are currently updating our equipment records into the system. We have implemented an annual inventory routine at the end of each school year.

NSL PROGRAM DELINQUENCY

RESPONSE: We are continuing our collection efforts. Our rate of 6.9% (6/30/94) is an improvement over the 6/30/92 rate of 8.2% and we anticipate being in compliance within the next 2 fiscal years.

ADJUSTMENTS TO THE LEDGER

RESPONSE: This problem only occurs at year-end and only then if the last month of the year has been closed prior to adjustments and year-end closing. We have asked our software supplier to review the program and rectify the problem.

Sincerely,

W. Wayne Muri

W. Wayne Muri
Business Manager
Miles Community College